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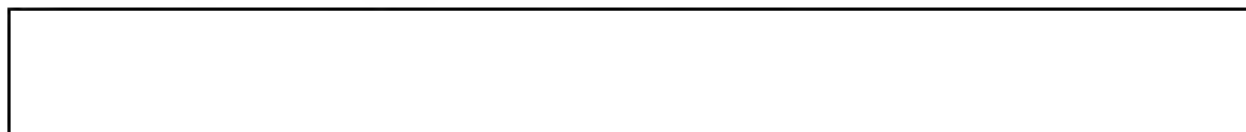
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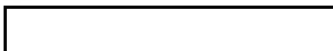
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ARGENTINA

President Peron's death yesterday left Argentina without an obvious permanent successor. For the moment, however, most political leaders have agreed that Mrs. Peron, the acting president, should be supported, at least for a while. She may last only as long as it takes political and military leaders to work out a mutually acceptable solution.

The military prefers an orderly institutional succession, and major political leaders, Peronist and non-Peronist alike, agree. With the Peronist movement likely to undergo a gradual disintegration, however, the military will have to play a key role in establishing whatever government eventually evolves.

Without Peron's hand, confusion within the highest levels of government will grow as leaders like Peron confidant Lopez Rega contend for power. In addition, Peronist factions can be expected to act independently now that Peron is dead, despite official pledges of support for Mrs. Peron. This is especially true of leftist youth leaders, who were all but read out of the movement by Peron himself for their disruptive demonstrations and public attacks on his wage and price stabilization policies.

Terrorist groups will also take advantage of the leadership vacuum. The People's Revolutionary Army probably will step up acts of violence, and other guerrilla organizations on the fringes of the Peronist movement may become more active as confusion in the government builds.

A general breakdown of a magnitude that would force military intervention, however, does not appear likely. The extremists, although well financed, lack numerical strength. They also have shown some sensitivity to public opinion and probably will not overplay their hand in the immediate future.

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ICELAND

The results of the election on June 30 indicate a swing to the right and suggest that the conservative Independence Party will be invited to form the government. With this strong pro-NATO party almost certain to assume the dominant role in the new government, prospects are bright for an agreement allowing retention of the US-manned NATO base at Keflavik.

Virtually complete returns show that the Independence Party increased its parliamentary representation from 22 seats to 25 in the 60-seat Althing. The opposition Social Democrats and the small Liberal Left Organization both lost ground. The Progressive Party, which headed the outgoing coalition, retained the same number of seats, and the Communists picked up one.

The formation of a new government probably will require lengthy negotiations, which are expected to be conducted by Independence Party Chairman Hallgrimsson. He and his party will have to enter into coalition with at least one of the other parties in order to secure a majority in parliament. The largely isolationist and rural-oriented Progressive Party is the only non-Communist political faction that commands enough seats to assure an Independence-led government a majority in parliament.

An Independence-Progressive combination would have to overcome a number of long-standing problems, including the personal antagonism between the two party chairmen and the traditional conflict between private industry, which supports the Independence Party, and rural-cooperative interests, which are the mainstay of the Progressive Party. The Progressives, however, who were out of the government for 12 years prior to membership in the outgoing center-left coalition, are anxious to be included

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in the new government. The Progressive Party struggled to project a moderate image during the campaign and, despite past opposition, probably would not find it difficult to support the Independence Party's position on the Keflavik base.

A coalition between the Independence Party and the Social Democrats and Progressives remains a possibility. The Social Democrats' labor support would strengthen such a coalition. A sizable number of Social Democrats, however, are concerned about opposition within the party to its long association with the Independence Party and may prefer to remain in opposition.

Although all of the parties regarded the election as a referendum on the future of the base, the most urgent problem facing the new government will be Iceland's mounting economic problems. The annual inflation rate now stands at 45 percent, and the cost of imports, especially oil, has increased by about one third. This comes at a time when Iceland's vital fishing industry has suffered sharp losses.

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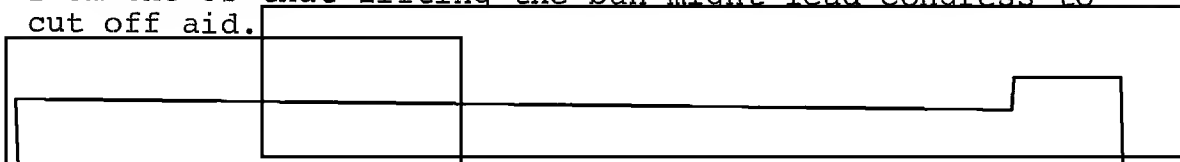
TURKEY

The Council of Ministers voted yesterday to rescind the poppy ban in the seven provinces that form the principal Turkish poppy-growing area, according to Ankara radio.

A Turkish government spokesman justified the cabinet's decision by citing the economic conditions of former poppy farmers and the needs of the international pharmaceutical industry. Prime Minister Ecevit is to make a detailed statement today, presumably about acreage plans and security measures.

The government said an effective control system would be used to prevent illegal trafficking in opium or the cultivation of opium poppies in areas other than those designated. Experts in both the US and Turkey, however, doubt that this can be done.

In making the decision, Ankara disregarded warnings from the US that lifting the ban might lead Congress to cut off aid.



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ETHIOPIA

The military is continuing to arrest important members of the aristocracy with a minimum use of force. The president of the Senate, an institution controlled by the landowning elite, reportedly was the latest to be picked up. Apparently only about nine persons have actually been detained so far, although numerous others are said to have been put under house arrest.

Military representatives are apparently continuing to meet regularly with a four-man ministerial committee appointed by Prime Minister Endalkatchew in an attempt to establish a more direct line of communication with the military. The committee could become the instrument through which the military will exercise stronger control of the government without resorting to a military take-over.

The arrests so far have provoked no strong reaction and have been limited to the capital area. [REDACTED]

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Addis Ababa continues to appear near normal. Army guards are stationed at government buildings and banks, but the military is otherwise maintaining a low visibility. [REDACTED]

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JAPAN

Japan, the only nation in East Asia where elections still mean something, will go to the polls on July 7 to elect slightly more than half the membership of the Diet's Upper House, the House of Councilors. Prime Minister Tanaka's Liberal Democratic Party is likely to keep its majority, which should strengthen his personal position.

While the lower house is clearly dominant in the bicameral Diet, an outright majority in the Upper House ensures Liberal Democratic control of the entire Japanese legislative process. The ruling party will probably come out of the election with about the same number of seats as at present--135 out of 252.

Foreign policy and national security have not been important campaign issues. The principal opposition issue has been the nation's economic difficulties, particularly the high cost of living and big-business profiteering during last winter's oil crisis. But the opposition has been unable to exploit the issue effectively, in part because it offers no credible alternative policy, in part because the inflationary spiral has slowed somewhat in recent months while workers have received large wage boosts.

The Liberal Democrats have been moderately successful in putting the left on the defensive with diversionary issues, proposing various educational, electoral, and parliamentary reforms. The most important reason for the Liberal Democrats' bright prospects is the failure of the four opposition parties to cooperate, particularly in the selection and support of local candidates. Efforts at opposition cooperation have foundered on three main factors: ideological differences; practical concerns over possible damage to local party organizations; and the belief of the well-organized Communists that they are better off on their own in any case.

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The outlook for the Communists is indeed much better than for the Socialists and for the centrist parties--the Democratic Socialists and the Buddhist-oriented Komeito. The Communists are expected to continue their upward parliamentary surge of recent years, probably at the expense of the Socialists and Democratic Socialists. Komeito may hold its own.

Tanaka himself will probably be the big winner. The Prime Minister has spent an unprecedented amount of money in this campaign--estimates run as high as \$90 million--to achieve two objectives: recruit as many successful candidates as possible to his party faction; and run up the largest possible popular vote for the party generally. In the first instance, he is trying to ensure re-election as party president--and prime minister--at the party convention next summer. In the second, he is seeking to reverse the slow but persistent downward trend in the conservatives' share of the popular vote; they won 47 percent in the 1972 general election.

In any case, it is becoming evident that Tanaka, once looked upon as a short-term premier, may be able to remain in office perhaps until 1978, when his next party presidential term would expire.

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JAPAN

The economy shows no sign of a quick recovery from the poor performance during the first quarter, when real gross national product fell 5 percent.

Despite some improvement in May, industrial output was below the first quarter average on a seasonally adjusted basis. Inventories continue to build up faster than warehouse shipments, indicating that demand remains weak. Other leading indicators, such as machinery and equipment orders, point to only moderate gains in the months ahead.

With inflation still the chief economic concern, Finance Minister Fukuda is staying with tight fiscal and credit policies. Interest rates are still rising, and bank lending from now until September will be held to the same level as during the preceding quarter. Wholesale prices jumped 1.2 percent in early June after four months of relative stability, and this will strengthen the government's resolve to restrain the economy.

Japan's economic problems, especially inflation, have been major issues in the campaign for the Upper House election on July 7. The opposition, however, has failed to generate any strong interest in its economic policy alternatives, and the government appears to have minimized electoral erosion by its relative success in restraining retail prices in the last two months. Relatively low unemployment and record wage hikes for workers in April have also helped the government politically.

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INDIA

New Delhi has imposed new controls on wheat prices. Wholesale and retail price ceilings established several weeks ago in wheat surplus states have now been extended to wheat deficit states in an attempt to limit dealers' markup. These ceilings are generally higher than existing market prices.

Although the ceilings will limit the rise in wheat prices to consumers, notably urban labor, there is no guarantee that adequate supplies will be available at those prices. Grain supplies are expected to remain tight at least until the major fall harvest. New Delhi hopes, however, that the price ceilings will dampen speculation, bringing hoarded stocks into the market.

India's wholesale wheat prices rose 41 percent from January through early May, a major factor in the 23-percent rise in overall wholesale foodgrain prices. Through May, foodgrain prices had risen three times faster than last year's pace, despite a good rice harvest last fall.



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West Germany: Bonn's trade surplus climbed to nearly \$2 billion in May. The cumulative surplus for the first five months of 1974 stands at \$8.7 billion--more than double last year's level for the same period. Despite much higher payments for imported oil, the total trade surplus for 1974 almost certainly will exceed the record \$13 billion achieved in 1973. Domestic demand remains low, depressing imports and freeing industrial capacity for the production of export goods. Because the growth in new export orders has slowed in recent months, however, the trade surplus should narrow later this year.

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